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March 19, 2002

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
445 12th Street, S.W.; TW-A325-12th
Washington, DC 20554

Ex Parte

RE: CC Docket No. 96-150 SBC Section 272 Biennial Audit

Dear Mr. Caton:

The attached Comments of SBC Communications Inc., regarding the above referenced proceeding, is being filed in response to a request from AT&T, on February 12, 2002. AT&T has requested the unredacted version of SBC's 272 Biennial Audit Report prepared by Ernst & Young LLP and submitted to the Commission on December 17, 2001.

An original and one copy of this *Ex Parte* are being filed in the Office of the Secretary today. Please include it in the public record of this proceeding as required under Section 1.1206(b)(2) of the Commission's rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle A. Thomas", written over a horizontal line.

Attachment

cc: Mr. Anthony Dale
Ms. Maureen Del Duca
Ms. Carol Matthey
Mr. Mark Stone

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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MAR 19 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Implementation of the Telecommunications)
Act of 1996: Accounting Safeguards Under) CC Docket No. 96-150
the Telecommunications Act of 1996)

COMMENTS OF SBC COMMUNICATIONS INC

SBC Communications Inc on behalf of itself and its subsidiaries (collectively referred to as "SBC"), submits these comments in response to AT&T's request that the unredacted version of SBC's Final Audit Report be placed in the public file.¹ AT&T's argument, that SBC's request for confidential treatment should be denied pursuant to the Commission's decision in the *Verizon Disclosure Order*,² is based on a misinterpretation of that Order and should be denied.

In the *Verizon Disclosure Order*, the Commission denied Verizon's request for confidential treatment of information contained in its § 272(d) audit report. The Commission held that § 272 required disclosure of all information, including proprietary information, contained in Verizon's audit report, and that proprietary information in the report is not protected from disclosure by another section of the Act, *i.e.*, § 220(f). At the outset, SBC notes that it disagrees with the Commission's interpretation of § 272(d). As SBC stated in its Comments on the Verizon Petition for Reconsideration, § 272(d)(2) does *not* mandate that the proprietary information in the audit report be made available for public inspection.³ It mandates only that

¹ AT&T Notice of Written Ex Parte: SBC Section 272 Compliance Biennial Audit Report, CC Docket No. 96-150, February 12, 2002 (*AT&T letter*).

² *In the Matter of Accounting Safeguards Under the Telecommunications Act of 1996: § 272(d) Biennial Audit Procedures*, Memorandum Opinion and Order, CC Docket No. 96-150 (rel. Jan. 10, 2002) (*Verizon Disclosure Order*).

³ SBC briefed this and other legal issues in its comments on the Verizon filing, which are incorporated by reference. See, *In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-150, Comments of SBC Communications, Inc., January 25, 2002.

the “results” of the audit shall be available for public inspection. The term “results” has a well-known meaning under auditing standards⁴ and does not include underlying source data obtained during the audit which is generally retained in the auditor’s workpapers.

However, SBC believes that it is entitled to confidential treatment of its information even under the *Verizon Disclosure Order*. SBC’s specific audit procedures and the proprietary information contained in its audit report are distinguishable from Verizon’s. The Commission’s reasoning in Verizon’s case therefore does not apply here.

In the *Verizon Disclosure Order*, the Commission based its ruling on the fact that: (1) the final audit report was developed consistent with standard audit procedures that required disclosure of facts for the users to make a determination concerning the audit results;⁵ (2) Verizon’s redacted information was “relevant” to its compliance with § 272 and the public needed to review “pertinent” financial information;⁶ (3) the information was in an “aggregated” format and would raise no competitive harm issues;⁷ and (4) Verizon made only general arguments, but failed to explain how the specific information at issue could cause competitive harm.⁸ In addition, it appears that Verizon may not have been able to negotiate a protective order acceptable to all parties and to the FCC.⁹ As discussed below, SBC’s request for confidential treatment of proprietary information differs in all these respects.

⁴ AICPA: Statement on Standards for Attestation Engagements: 10 (“SSAE 10”), § 2.24.

⁵ *Verizon Disclosure Order* at 3.

⁶ *Id* at 4-5.

⁷ *Id* at 6.

⁸ *Id* at 8.

⁹ *AT&T letter* at 9.

I. SBC's Audit Procedures Specifically Contemplate The Redaction of Proprietary Information

SBC's Final Audit Report was developed consistent with specific Agreed-Upon Procedures (AUP) negotiated between SBC and the Joint Oversight Team (JOT) under the authority delegated to it by the Commission. Paragraph 30(f) of SBC's AUP audit program clearly states that the company may request confidential treatment of information contained in the audit report. It further provides specifically for the filing of two reports with the Commission: a public version with redactions, and a non-public version without redactions. SBC simply relied upon and followed the audit procedure that it had specifically negotiated with the JOT.

The JOT's authority to negotiate audit procedures was pursuant to a delegation by the Commission in the *Accounting Safeguards Order*.¹⁰ Under § 1.117 of the Commission's rules, the Commission has 40 days from the public notice to review on its own motion "any action taken pursuant to delegated authority." Under § 1.4(b)(5) of the Commission's rules, the relevant time for computation of the 40 days is the date when the procedures were issued. The final AUP was issued on April 23, 2001, and SBC and the auditors have now been relying on ¶ 30(f) for almost a year. Although the Commission may change the procedure prospectively, it should not change the rules for this audit after SBC has relied on them.

To understand why ¶ 30(f) of the procedure calls for a redacted public version, it is important to gain perspective on how this audit has been conducted. SBC believes that the statutory scheme of § 272(d) never contemplated that proprietary information be part of the auditor's report. The FCC's order implementing the § 272(d) audit requirement was consistent with the statute. Thus, in ¶ 201 of the *Accounting Safeguards Order*, the Commission stated that for the biennial audit it will require the auditor's report to include "findings and conclusions on whether examination of the books, records and operations has revealed *compliance or non-*

¹⁰ Accounting Safeguards Under the Telecommunication Act of 1996, Report and Order, CC Docket 96-150, 11 FCC Red 17539, at ¶ 198, (1996) (*Accounting Safeguards Order*).

compliance with § 272...” (emphasis added). Therefore, it is clear that the FCC originally intended a compliance attestation audit in which the results included in the audit report would contain broad findings and conclusions and not include the specific and detailed information contained in the supporting evidentiary matter obtained by the auditor. This type of detailed information would have been appropriately included in the auditor’s workpapers consistent with the common and accepted practices of the auditing profession.¹¹

Subsequently, however, the Common Carrier Bureau and the JOT adopted an AUP type of audit, essentially changing the nature of the audit. Under an AUP audit, the auditors are not required to reach conclusions on whether the company is in compliance, but rather to perform the procedures as written and make factual findings while the FCC and state commissions determine whether the company is in compliance. Therefore, the parties to the audit (*i.e.*, the JOT and SBC) negotiated audit procedures that necessarily called for a more complete explanation of the audit results to afford the JOT an opportunity to reach its own conclusions regarding compliance. One of the basic underlying assumptions in this negotiation process leading to the adoption of the AUP was that it would have the opportunity to redact any proprietary information from the public version of the audit report.¹²

Additionally, SBC also relied on AICPA standards that specify that the auditor’s report would be restricted to “specified users”.¹³ Contrary to AT&T’s contention, the specified users in SBC’s report include the Companies and the JOT only, not interested parties.¹⁴

¹¹ Audit workpapers consist of schedules, statistics, and additional information that provide support for an auditor’s findings. *Accounting Safeguards Order* at ¶ 190, fn. 481.

¹² The Commission issued General Standard Procedures for the 272 Biennial Audits, as of December 16, 1998, which stated in procedure 25(e) that “the Oversight Team will negotiate with the BOC and ~~delete~~ from the final report information deemed proprietary.” Letter to Ms. B. Jeannie Fry from Mr. Robert E. Hood, Audits Branch, December 18, 1998 (emphasis added).

¹³ SSAE 10; §§ 1.79, 2.04, & 2.31(f) These AICPA auditing standards were designed to safeguard against an unspecified user not involved in the audit planning from taking the results or underlying data out of context for which it was intended. It is for this reason that the auditors are required to and include a statement on the restriction of use in the report.

Neither SBC nor the JOT contemplated that the public would have access to this proprietary information. In fact, when the parties negotiated the audit procedures, they specifically contemplated that proprietary information would be included -- and protected -- in the audit report. Therefore, ¶ 30(f) of SBC's procedures states:

"In accordance with the Commission's rules, SBC may request confidential treatment of information contained in the report. If SBC requests that information be redacted from the report to protect from disclosure information that SBC contends should not be available for public inspection, the practitioner shall submit its final report as follows: a public version with redactions, and a non-public version without redactions, under seal. In addition, the practitioner shall, at the request of SBC, file with the final report a request that redacted materials be withheld from public inspection pursuant to 47 CFR 0.459, such request to be prepared by SBC."

Thus, in SBC's case, both SBC and the Commission staff have been operating with the understanding that proprietary information included in the audit report will be redacted and thus protected from public disclosure. In fact, SBC relied on staff's representations (consistent with ¶ 30(f)) and provided additional proprietary information, generally retained in the auditor's work papers, for the audit report.¹⁵ Although SBC initially assumed that Verizon may have been relying on a similar procedure, it does not appear from the record that Verizon had any similar procedure that specifically contemplated the protection of proprietary information. Each BOC negotiated its own specific procedures with the JOT, and SBC's request for confidential treatment should be considered under SBC's procedures and not Verizon's.

¹⁴ Report of Independent Accountants on Applying Agreed-Upon Procedures, prepared by Ernst & Young and filed with the Commission on December 17, 2001 (SBC's 272 Final Audit Report), at 1.

¹⁵ During its audit SBC was asked by the FCC staff to permit inclusion of financial and other information in the report. SBC was told that not all FCC staff would review the workpapers and that the report would be imminently more useful to the JOT if SBC permitted the inclusion of proprietary information in the report. When SBC objected, SBC was told its fears about disclosing proprietary information were unreasonable because it could always redact proprietary information from the report. In hindsight, SBC's concerns were justifiable.

II. SBC Has Provided All Pertinent Information In the Redacted Report

The *Verizon Disclosure Order* was largely based on the Commission's reasoning that the public should have all the "pertinent" information to file its comments. As even a cursory reading of SBC's redacted audit report will show, all information that is pertinent to the issues in the audit has been provided by SBC. Most, if not all, of the information that SBC seeks to protect is completely irrelevant to a determination of compliance under § 272. That is because, relying on the protection of ¶ 30(f), SBC permitted the inclusion of certain proprietary information in the audit report that the auditors may have reviewed or summarized in performing the procedures, but is not necessary for the decision-maker, much less for the public. Thus, for instance, although AT&T takes issue with SBC's redaction of the location of its affiliates' offices that information is not pertinent to § 272 compliance. SBC redacted the information for security reasons, to protect both its employees and equipment from threats and sabotage. This was background information for determining whether the 272 affiliates operated independently of the BOCs. Identification of these office locations provides no relevant information for determining compliance with § 272; the relevant information are the findings of the auditor -- that none of the 272 affiliates obtained prohibited OI&M services from the BOC in this particular case. Those findings were in the audit report and not redacted.

Similarly, in its findings on § 272(e)(4), (*i.e.*, regarding whether the BOC has provided services to all carriers at the same rates, terms, and conditions as its affiliates), the auditor compared the services provided to SBC's 272 affiliate and to an unaffiliated carrier. In its final audit report, the auditor listed the name of the unaffiliated carrier, which SBC redacted. Once again, the name of the carrier is completely irrelevant to any determination of compliance. The relevant findings describe the rates, terms and conditions charged to that carrier and whether there were any discrepancies between the 272 affiliate and the unaffiliated carrier. That information was not redacted from SBC's Final Audit Report.

III. The Redacted Information Is Commercially Sensitive

AT&T states that SBC has entered into the same “wholesale redactions” as Verizon and that it has redacted information very similar to Verizon’s.¹⁶ AT&T’s comparison is based on a misinterpretation of the audit reports. Although both reports deal with the same issues, the information contained therein and the manner of reporting is very different.¹⁷ In particular, unlike the information in the Verizon’s report, much of the information that has been redacted from SBC’s audit report is not simply “aggregated” information; rather, it provides specific information about SBC’s long distance operations. For instance, SBC’s audit report for Objective IX, Proc. 3, contains a table showing the specific amount that each SBC BOC billed to its affiliates for the month of January. A competitor reviewing this information can determine, at one glance, the extent of SBC’s long distance operations in each region.¹⁸ Verizon’s audit report did not include similar information. Similarly, in Objective IV, Procedure 4, the auditor noted the accounts payable of each affiliate from each BOC in each SBC state. In Verizon’s case, the audit report only contained the total accounts payable balances without disaggregating by each affiliate, much less by each state.

IV. SBC Has Made the Requisite Showing of Competitive Harm

AT&T argues that SBC apparently has not made the requisite request that the Commission treat the redacted information as confidential. AT&T is wrong. Pursuant to ¶ 30(f)

¹⁶ *AT&T letter* at 2.

¹⁷ It is difficult to compare the redaction in both Verizon’s and SBC’s reports because each company negotiated separate audit procedures, engaged different auditors to perform the procedures; has its own unique systems, operations, and business arrangements with affiliates and unaffiliated carriers; and has different methods of processing and compiling information.

¹⁸ AT&T appears to argue that raw data is only data on each individual transaction and any manipulation of that data would make it an aggregation. That argument is ridiculous. Data is aggregated in front end and back end systems in many forms and it is all considered as “raw” data. The more appropriate distinction is to consider whether the data provides specific information that can be useful to competitors or whether it is aggregated sufficiently to avoid specific disclosures.

of its AUP, and 47 C.F.R. § 0.459, SBC's request for confidential treatment of information was filed by the auditors along with its audit report on December 17, 2001. Even though much of the information is automatically exempt from disclosure under 47 C.F.R. § 0.457, out of an abundance of caution, SBC specifically explained why each category of information was competitively significant.

Although SBC will not repeat all its FOIA Exemption 4 arguments here, SBC reiterates that its information is clearly protected under Exemption 4. As discussed in detail in SBC's letter dated December 17, 2001, *National Park vs. Morton* establishes a two-part test for determining if information qualifies for withholding under Exemption 4. Under the first, the impairment prong, the Commission has stated that the audit process depends largely on the cooperation of carriers who are willing to provide confidential information in the belief that the information will not be disclosed. The Commission has refrained from making such information public because this has a chilling effect on carriers. SBC's experience in this audit is the perfect case in point. As stated earlier, SBC has willingly agreed to import commercially sensitive information, normally retained only in the auditor's work papers, into the audit report in an effort to be helpful to the JOT in reviewing the audit report. However, SBC believed, based on its audit procedures and Commission precedent, that its information would be protected. If, despite the staff's establishment of redaction procedures pursuant to delegated authority, and the staff's repeated assurances that proprietary information could be protected, the Commission requires disclosure of proprietary information, SBC certainly will not willingly agree to any procedures in future audits that would include confidential proprietary information in the audit report. Nor will it willingly agree to include additional information not specifically necessary to assess compliance with the relevant requirements.

Similarly, as stated above, SBC, unlike Verizon, meets the second prong of the test. SBC has explained in this and in its earlier filing that the information sought to be withheld is typically withheld by companies and will harm its competitive position by disclosing specific

details about its sales and business operations.¹⁹ If AT&T clarifies what information it considers necessary for its public comments and why, SBC will be willing to discuss the disclosure of that information either on a case-by-case basis or pursuant to a protective agreement.

V. SBC Is Willing to Negotiate A Reasonable Protective Agreement

Finally, it appears from AT&T's letter that neither the parties nor the Commission agreed to the protective agreement proposed by Verizon. SBC is certainly willing to engage in discussion and negotiate the terms of a reasonable protective agreement that minimizes the cost and travel for smaller IXC's while protecting its interest in confidential treatment.

VI. Conclusion

In sum, although SBC disagrees with the Commission's legal analysis in the *Verizon Disclosure Order*, it believes its case is distinguishable under SBC's agreed-upon procedures and is therefore entitled to protection even pursuant to that order. The practical problems for SBC in particular arise not so much from the Commission's interpretation of § 272, but from the *timing* of the decision. All through the audit and during the preparation of the audit report, the staff assured SBC that, pursuant to its negotiated audit procedures, financial and other detailed information would be kept proprietary. Relying on that belief, SBC permitted the inclusion of information that was not even relevant to the compliance issues under § 272. Much, if not all, of SBC's redacted information is unnecessary for the § 272 audit issues and should be protected from public disclosure. If the Commission still believes the information should be provided to the public, SBC is willing to provide it subject to a reasonable protective agreement. A blanket order requiring SBC to disclose all its confidential information to the public is neither required nor consistent with due process.

¹⁹ See, attached, SBC's matrix on relevancy and competitive harm. The preparation of a matrix necessarily limited the presentation to bullet points. SBC requests the opportunity to present more detailed arguments if the FCC believes the information in the matrix is insufficient.

Respectfully submitted,

SBC Communications Inc.

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Its Attorneys

March 19, 2002

Proprietary Information

SBC PROPRIETARY INFORMATION	OBJECTIVE OF AUDIT PROCEDURE	RELEVANCE TO 272 AUDIT OBJECTIVE	ACTUAL OR POTENTIAL COMPETITIVE HARM
OBJ. 1, PROC 7 - DETAILED FIXED ASSET LISTING	Determine whether a BOC and its 272 affiliate jointly own switching and transmission facilities.	Fixed asset balances are irrelevant to determine joint ownership of switching and transmission facilities.	Competitive businesses are not generally required to file this information by business unit/segment.
OBJ. 2, PROC 4 - # OF SBCS AND ACI LEASES > \$ 500,000	Section 272(b)(2) - the 272 affiliate shall maintain books, records, and accounts in the manner prescribed by the Commission which shall be separate from the books, records, and accounts maintained by the BOC of which it is an affiliate.	Number of leases - irrelevant to determine whether items were recorded in accordance with GAAP and whether books are separate from BOC. Audit report noted that all leases tested were appropriately recorded in accordance with GAAP.	Not generally required to reveal extent of operations of specific lines of business. Whether company buys or leases facilities or locations and to what extent is competitively sensitive information.
OBJ. 2, PROC 4 - JOT COMMENTS RE: LEASES - REVEALS LOCATIONS	SAME AS PROCEDURE ABOVE	The Commission prescribed GAAP accounting for the 272 affiliate and the issue is whether the leases were recorded in accordance with GAAP. The number of leases > \$500K is irrelevant. The audit results note that the leases selected for testing were appropriately recorded as operating leases in accordance with GAAP.	Shows extent of leasing activity by 272 affiliate - whether company buys or leases facilities and/or other locations is competitively sensitive information. Revealing certain company locations is a matter of security and employee safety.
OBJ. 3, PROC 7 - ACTUAL TEAM PAYOUT RATIO COMPARED TO TARGET RATIO	Section 272(b)(3) - the 272 affiliate shall have separate officers, directors, and employees, from the BOC.	Bonus payout ratio - irrelevant to determine whether 272 affiliate bonus is tied to BOC performance. The audit report stated the basis of the bonus payout.	Businesses generally do not reveal how they pay bonuses. This is competitively sensitive information.

Proprietary Information

SBC PROPRIETARY INFORMATION	OBJECTIVE OF AUDIT PROCEDURE	RELEVANCE TO 272 AUDIT OBJECTIVE	ACTUAL OR POTENTIAL COMPETITIVE HARM
OBJ 4, PROC 3 – # OF SBCS AND ACI LEASES > \$ 500,000	Section 272(b)(2) – the 272 affiliate shall maintain books, records, and accounts in the manner prescribed by the Commission which shall be separate from the books, records, and accounts maintained by the BOC of which it is an affiliate.	Number of leases – irrelevant to determine whether items were recorded in accordance with GAAP and whether books are separate from BOC. Audit report noted that all leases tested were appropriately recorded in accordance with GAAP.	Not generally required to reveal extent of operations of specific lines of business. Whether company buys or leases facilities or locations and to what extent is competitively sensitive information.
OBJ 4, PROC 4 – TABLE 3 ACCTS PAYABLE OF EACH AFFILIATE	Section 272(b)(4) – the 272 affiliate may not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the BOC.	The audit results state that there were no instances of lease agreements with direct or indirect recourse to the SBC BOC. 272 affiliate balances of A/P (A/R) to/from SBC BOCs are irrelevant to show whether a creditor would have recourse to the BOC assets.	Information is by BOC for each 272 affiliate. This could show the extent of services purchased by the 272 affiliate in each region indicating sales volumes and markets being targeted. At a minimum, the information for each 272 affiliate should be aggregated for all regions.
OBJ 5/6, PROC 9 – JT MARKETING (TOTAL BILLINGS FOR SERVICES NOT MADE AVAILABLE TO THIRD PARTIES)	Section 272(b)(5) & (c)(2) – the 272 affiliate shall conduct all transactions with the BOC on an arm's length basis with any such transactions reduced to writing and available for public inspection; the BOC shall account for all transactions with the 272 affiliate in accordance with accounting principles designated or approved by the Commission.	Total billings and sampled bill amounts are irrelevant as to whether the affiliate transactions rules were followed. The only relevant data is the number of sampled items not recorded in accordance with affiliate transactions rules and the discrepancy in the rates (all the information for the 1 exception is disclosed).	The total billings reveal to competitors the 272 affiliate's level of marketing expenses and allow them to check the rates and make assumptions regarding sales volumes in relation to marketing costs. This is proprietary pricing and invoice information.

Proprietary Information

SBC PROPRIETARY INFORMATION	OBJECTIVE OF AUDIT PROCEDURE	RELEVANCE TO 272 AUDIT OBJECTIVE	ACTUAL OR POTENTIAL COMPETITIVE HARM
OBJ 5/6, PROC 10 , TABLE 6 – SAMPLE SUMMARY OF SERVICES PROVIDED BY SBCS TO SBC BOCS	SAME AS PROCEDURE ABOVE.	Billing amount by BOC, service, and month is irrelevant to show whether the services were billed in accordance with affiliate transactions rules.	Amounts are separately provided by BOC, service, and month. Rates are on file and competitors can determine the exact extent and nature of competitive services provided by the 272 affiliates. This is proprietary pricing and invoice information.
OBJ 5/6, PROC 13, VALUE OF FURNITURE TRANSFERRED FROM BOC TO SBCS	Unaffiliated entities must have equal opportunity to acquire any such good, service, facility, or information. In particular, if a BOC were to transfer ownership of a unique facility to a 272 affiliate, it must ensure that the 272 affiliate and unaffiliated entities have an equal opportunity to obtain ownership of this facility.	Value of assets transferred – irrelevant to determine whether assets were made available to unaffiliated entities on a non-discriminatory basis.	Value of assets transferred could reveal extent of 272 affiliate's operations.
OBJ 7, PROC 5 – TOTAL VALUE OF LOCAL SERVICES SBCS PURCHASED FROM SWBT	Section 272(c)(1) – a BOC may not discriminate between the 272 affiliate and any other entity in the provision or procurement of goods, services, and information, or in the establishment of standards.	Value of local services – irrelevant to determine where 272 affiliate and unaffiliated customers are charged the same rates.	Purchases of local services reveal extent and location of 272 affiliate operations. This is proprietary pricing and invoice information.

Proprietary Information

SBC PROPRIETARY INFORMATION	OBJECTIVE OF AUDIT PROCEDURE	RELEVANCE TO 272 AUDIT OBJECTIVE	ACTUAL OR POTENTIAL COMPETITIVE HARM
OBJ 8, PROC 3 – ATTACHMENT A-7 – PERFORMANCE MEASURE DIFFERENCES	Section 272(e)(1) – a BOC shall fulfill any requests from an unaffiliated entity for telephone exchange service and exchange access within a period no longer than the period in which it provides such services to itself or its affiliates.	The variances in Attachment A-7 are very misleading in terms of the level of service provided to the SBC BOCs and its affiliates and to non-affiliates. These variances are statistically insignificant due to the extremely low volume of affiliate orders (or troubles) as compared to that of the non-affiliates.	Meaningless variances due to the large differences in the number of orders (or troubles) could have unnecessary negative consequences for SBC and may result in unnecessary and unjustified concern on the part of non-affiliated entities as well as other parties (e.g., regulators).
OBJ 9, PROC 3, TABLE 8 – A. #INVOICES/TOTAL AMOUNTS CHARGED BY EACH BOC TO SBCS FOR EXCHANGE ACCESS SERVICES FOR JAN 2001 B. – # INVOICES/AMOUNTS SAMPLED FOR AUDIT	Section 272(e)(2) – BOC shall not provide any facilities, services, or information concerning its provision of exchange access to the 272 affiliate unless made available to other providers of interLATA services in that market on the same terms and conditions.	The audit report notes the relevant information for the seven service combinations billed at different rates and the reason for the differences. The number of BANs and total invoiced amounts are irrelevant in showing whether the 272 affiliate and other IXCs were billed at the same rates.	A. Same as above. The number of BANs and total invoiced amounts with respect to access services provided by each SBC BOC to the 272 affiliate – reveals potentially competitive sales and marketing information. This is proprietary pricing and invoice information. B. Not as much of a concern.
OBJ. 10, PROC 5, TABLE 9 – TREND ANALYSIS OF INCIDENTAL INTERLATA SERVICES PROVIDED BY BOC – VALUES FOR INCREASES AND DECREASES FROM JULY-AUG 2000	Section 272(e)(3) – BOC shall charge the 272 affiliate, or impute to itself, an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.	The audit results disclosed the relevant information to explain the increases of more than 10%. The next procedure tests a sample of these items, which more appropriately provides information to determine compliance. The actual revenue amount for each service is irrelevant.	These are non-regulated products and services of the BOC - the table provides detailed revenue information about the specific lines of BOC competitive businesses.

Proprietary Information

SBC PROPRIETARY INFORMATION	OBJECTIVE OF AUDIT PROCEDURE	RELEVANCE TO 272 AUDIT OBJECTIVE	ACTUAL OR POTENTIAL COMPETITIVE HARM
OBJ 10, PROC 7, - AMTS UNDER DISPUTE	Section 272(e)(3) – BOC shall charge the 272 affiliate, or impute to itself, an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.	Amounts under dispute are simply noted as a reconciling item – irrelevant to determine discrimination (in fact, the existence of disputes indicates that the BOC is not discriminating in favor of its 272 affiliate)	No clear or discernable competitive harm, but amounts are specific to private dispute between the specific parties.
OBJ. 10, PROC 7, TABLE 10 – AMTS RECORDED AND PAID BY 272 AFFILIATES TO EACH BOC FOR EXCHANGE ACCESS AND LOCAL EXCHANGE SERVICES	SAME AS PROCEDURE ABOVE.	Information does not reveal whether the BOC has discriminated (charged itself lower prices than other IXCs). Only shows what was recorded by the BOC and the 272 affiliate.	Competitors can use tariff rates and determine the 272 affiliate's minutes of use and other sales and volume information, thus gaining useful information about the extent of the 272 affiliate's operations. This is proprietary pricing and invoice information.
OBJ.11, PROC 2, - NAME OF THIRD PARTY IXC SELECTED FOR TESTING	Section 272(e)(4) – BOC may provide any interLATA or intraLATA facilities or services to its interLATA affiliate if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions, and so long as the costs are appropriately allocated.	Name of unaffiliated customer not relevant in evaluating compliance.	Names of customers are traditionally not disclosed.
OBJ. 11, PROC 3, - BASIC MONTHLY ACCESS CHARGES AND UNITS PURCHASED BY SBCS AND THIRD PARTY IXC.	SAME AS PROCEDURE ABOVE.	Total number of units purchased is not relevant in comparing whether proper unit rate was charged 272 affiliate and unaffiliated IXC. Only the unit price is relevant.	Gives specific information about the services and amounts purchased by SBCS and third parties. This is proprietary pricing and invoice information.

Proprietary Information

SBC PROPRIETARY INFORMATION	OBJECTIVE OF AUDIT PROCEDURE	RELEVANCE TO 272 AUDIT OBJECTIVE	ACTUAL OR POTENTIAL COMPETITIVE HARM
ATT A-1 – EMPLOYEES AND DEPTS BY LOCATION – LOCATIONS CRITICAL; TOTALS OK	Section 272(b)(1) – The 272 affiliate shall operate independently from the BOC.	Number of employees and location addresses - not relevant to determine if operated independently. Only need to know that there were separate employees and locations.	Locations – security issue. Competitor can determine the extent of the 272 affiliate's operations.
ATT A-2 – VENDOR NAMES AND 272 AFFILIATE LOCATION	A BOC or BOC affiliate, other than the 272 affiliate itself, shall not perform OI&M functions associated with the facilities that each 272 affiliate owns or leases from a provider other than the BOC.	The names of unaffiliated vendors that provide OI&M to the 272 affiliate is not relevant – only that OI&M is not provided by the BOC or BOC affiliate.	Under contract, SBC has an obligation to not reveal vendor names and other vendor information.